

## Message Text

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C O N F I D E N T I A L STATE 027891

FOLLOWING REPEAT VIENTIANE 0080 ACTION STATE INFO BANGKOK PARIS  
HONG KONG CINCPAC JAN 20.

QUOTE CINCPAC FOR POLAD

E.O. 11652: XGDS-4  
TAGS: PDEV ETRD BEXP EIND US VM  
SUBJECT: REPORT ON PRIVATE INVESTMENT IN THE SRV

SUMMARY: AN AMCIT BUSINESSMAN REPRESENTING THE EISEN-  
BERG GROUP, AN INTERNATIONAL INVESTMENT BANKING FIRM  
BASED IN LONDON, CALLED ON AN EMBASSY OFFICER JANUARY  
17 AFTER HE HAD SPENT SEVERAL DAYS IN HANOI. THE  
BUSINESSMAN BRIEFLY DESCRIBED THE INDUSTRIAL PROJECTS  
FOR WHICH HE WAS ARRANGING FINANCING, THE ITALIAN  
PETROLEUM COMPANY'S (ENI) CONTRACT WITH THE VIETNAMESE,  
THE ECONOMIC EXPERTISE OF THE AUTHORITIES HE HAD MET,  
AND HIS OWN VIEWS ON THE ECONOMIC FUTURE OF THE SRV,  
END SUMMARY.

1. AN AMCIT BUSINESSMAN SAID JANUARY 17 THAT HE HAD  
TRAVELED TO HANOI SEVERAL TIMES RECENTLY TO DISCUSS  
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FINANCING OF LARGE INDUSTRIAL PROJECTS WITH VIETNAMESE  
AUTHORITIES. SO FAR HIS FIRM, THE EISENBERG GROUP, HAD  
ARRANGED THE FINANCING FOR A SHEET GLASS PLANT LOCATED  
IN HAIPHONG. IT HAD ALSO ARRANGED A \$55 MILLION  
INVESTMENT BY INGRA OF YUGOSLAVIA AND WAGNERBIRO OF  
AUSTRIA TO CONSTRUCT A THERMAL POWER PLANT IN DANANG OF  
TWO 60 MEGAWATT UNITS USING COAL ENERGY. EISENBERG HAD  
ALSO ARRANGED A \$100 MILLION INVESTMENT (MOSTLY BY  
ITALY'S GIE) IN A HYDROPOWER PLANT LOCATED IN HO CHI  
MINH CITY. TIBB/SAE OF ITALY AND BROWN BOVERI

OF SWITZERLAND WERE INVESTING \$40 VILLION IN TRANS-MISSION LINES TO BE USED AT THE HYDROPOWER AND THERMAL POWER PLANTS.

2. THE SOURCE SAID THAT HIS FIRM HAD ARRANGED A \$95 MILLION INVESTMENT BY SPAIN'S CENTUNION AND WEST GERMANY'S KHD IN A SODA ASH PLANT IN HAIPHONG. THE EISENBERG GROUP HAD ARRANGED A \$44 MILLION INVESTMENT BY LURGI OF WEST GERMANY AND BY VOESPALPINE OF AUSTRIA FOR A GASIFICATION PLANT THAT CONVERTED COAL TO GAS AND THEN TO UREA. THE PLANT WAS LOCATED IN DANANG. THE GROUP WAS ALSO RAISING ABOUT \$15 TO \$20 MILLION FOR PURCHASING MINING EQUIPMENT FOR MINES NEAR HAIPHONG BY THE ATLAS CORPORATION OF SWEDEN. FINALLY, THE UK'S BOLIT COMPANY WAS INVESTING ABOUT \$60 MILLION IN A PAPER PULP PLANT, WITH THE EISENBERG GROUOU ARRANGING THE FINANCING. THE SOURCE SAID THE TERMS OF THE INVESTMENTS WERE 7.5 PERCENT INTEREST OVER A TEN YEAR PERIOD (EXCEPT FOR THE YUGOSLAVIAN COMPANY'S INTEREST RATE WHICH WAS FOUR PERCENT).

3. THE BUSINESSMAN SAID THAT THE ITALIAN PETROLEUM COMPANY ENI HAD SIGNED AN AGREEMENT WITH THE SRV CONFIDENTIAL

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GOVERNMENT WHEREBY ENI WOULD MAKE THE INITIAL INVESTMENT FOR OIL DRILLING AND WOULD BE ALLLWED EXCLUSIVE RIGHTS TO ANY OIL UNTIL THAT INVESTMENT WAS PAID FOR. ENI WOULD THEN BE ABLE T DRAW OIL AT A DISCOUNT RATE. HE SAID THAT THE SRV HAD REFUSED A PROFIT-SHARING AGREEMENT WITH ENI. HE ADDED THAT WITHOUT FREE ACCESS TO MODERN USPETROLEUM TECHNOLOGY OR MANUFACTURED EQUIPMENT, ENI WOULD MOST LIKELY SUPPLY OLD, OUTDATED DRILLING EQUIPMENT. HE SAID THAT THE VIETNAMESE AUTHORITIES HAD LITTLE PETROLEUM EXPERTISE AND THAT IT WOULD BE VERY EASY FOR ENI TO VALUE THE OLD EQUIPMENT AT AN INFLATED RATE.

4. THE SOURCE SAID THAT THE VIETNAMESE AUTHORITIES HE HAD DIRECTLY NEGOTIATED WITH WERE WORKING LEVEL TECHNO-CRATS WHO HAD NEVER DISCUSSED WITH HIM INTERNATIONAL POLITICS SUCH AS THE BORDER CONFLICT WITH KAMPUCHEA. A "POLITICAL" MAN HAD USUALLY SAT IN ON MEETINGS BUT DID NOT INTERFERE WITH THE CONVERSATION. THE SOURCE SAID THAT ALL OF THE VILPRCMESE THAT HE HAD WORKED WITH WERE FROM THE NORTH.)  
WE HAD NEVER MET A  
"REHABILITATED" SOUTHERNER,SUNJQEN#THOUGH THERE WERE MANY SOUTHERNERS WITH GREATER  
MBPIRKING#KNOWLEDGE OF WESTERN  
BUSINESS PRACTICES. HEWNQHE#INTERNATIONAL COMMITTEE FOR  
THE RED CROSS REPRESENTATIVE IN HANOI TOLD US JANUARY

13 THAT SOME MID-LEVEL OFFICIALS FROM THE THIEU REGIME HAD RETURNED TO THEIR JOBS FROM INTERNMENT IN REEDUCATION CAMPS.) THE BUSINESSMAN SOURCE SAID THE NORTHERNERS WERE TRYING TO LEARN ABOUT WESTERN BUSINESS PRACTICES BUT HAD VERY SCANT KNOWLEDGE AT THE PRESENT. FOR EXAMPLE, THEY UNDERSTOOD CREDIT BUT DID NOT KNOW THE FUNCTION OF A "PROMISSORY NOTE". MOST NORTHERNERS STILL FLINCHED AT THE VERY WORD "CAPITALIST". THE SOURCE DESCRIBED THE VIETNAMESE AS PRAGMATISTS AND  
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REALISTS WHO DID NOT ACCEPT FALSE FLATTERY BUT READILY ADMITTED THEIR ECONOMIC WEAKNESSES AND FAILURES. HE DID SAY, HOWEVER, THAT THE VIETNAMESE OVERESTIMATED TO CAPABILITY OF THEIR ENGINEERS TO MAKE EFFECTIVE USE OF THE EQUIPMENT LEFT BY THE UNITED STATES.

5. THE SOURCE SAID THAT THE VIETNAMESE HAD SERIOUS ECONOMIC PROBLEMS. HE SAID THAT, WHEREAS IT WAS PROFITABLE FOR HIM TO ARRANGE INVESTMENTS BY OTHER COMPANIES, HE WOULD NOT WANT TO RISK ANY OF HIS OWN MONEY ON THE VIETNAMESE ECONOMY. THE SOURCE SAID THAT IT APPEARED AS IF THE SRV WAS CHANNELING PRIVATE INVESTMENTS FROM CAPITALIST COUNTRIES TO INDUSTRIES AND PROJECTS IN THE SOUTH WHERE THERE WAS A GREATER UNDERSTANDING OF WESTERN BUSINESS PRACTICES. CONVERSELY, THE GOVERNMENT WAS DEVELOPING THE NORTH EXCLUSIVELY ON A SOCIALIST MODEL (WITH THE EXCEPTION OF THE SWEDISH PAPER MILL PROJECT ZBHICH HAD BEEN NEGOTIATED BEFORE UNIFICATION). THE SOURCE OPINED THAT THE SRV WANTED EVENTUALLY TO IMPOSE A SOCIALIST ECONOMIC SYSTEM WITHIN THE COUNTRY BUT AT THE SAME TIME SOUGHT TO JOIN THE INTERNATIONAL CAPITALIST ECONOMIC SYSTEM. TO SUPPORT THIS THESIS, HE NOTED THAT THE SRV WAS THE SECOND COMMUNIST GOVERNMENT AFTER THE HUNGARIANS TO ADOPT A FOREIGN INVESTMENT CODE. THE SOURCE SAID THE US SHOULD LIFT ITS TRADE RESTRICTIONS AND ENCOURAGE OTHER CAPITALIST NATIONS TO INVEST IN THE SRV SO THAT THE VIETNAMESE COULD DEVELOP AS AN ACTIVE TRADING PARTNER WITH THE WEST.

6. THE SOURCE SAID THAT HE HAD DETECTED NO ANTI-AMERICAN UNDERTONES IN HIS NEGOTIATIONS WITH THE VIETNAMESE. HE SAID THAT THEY WERE INTERESTED IN AID AND  
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TRADE WITH THE US BUT THAT HE HAD EXPLAINED TO HIS COUNTERPARTS THAT THE AVERAGE AMERICAN, MANY OF WHOM HAD LOST A FAMILY MEMBER IN THE WAR, STILL FELT EMOTIONAL ABOUT VIETNAM AND WAS NOT PREPARED TO GIVE AID.

THE AID ISSUE ASIDE, THE SOURCE FEARED US BUSINESS WOULD LOSE OUT ON ATTRACTIVE BUSINESS DEALS TO JAPANESE AND EUROPEAN BUSINESSMEN IF THE US DID NOT LIFT ITS TRADE RESTRICTIONS SOON.

7. THE EMBOFF ASKED THE AMCIT BUSINESSMAN WHETHER, IN VIEW OF VIET NAM'S USE OF ANTI-WAR PRESSURE GROUPS IN THE US DURING THE WAR, THE VIETNAMESE MIGHT NOW BE TRYING TO USE US BUSINESSMEN AS A PRESSURE GROUP TO GAIN AN ADVANTAGE IN THE ONGOING BILATERAL US-SRV NEGOTIATIONS. THE EMBOFF SUGGESTED THAT IF THIS WERE THE CASE, THEN SRV RELIANCE ON THE CAPABILITY OR EVEN WILLINGNESS OF US BUSINESSMEN TO PRESSURE THE USG TO LIFT TRADE RESTRICTIONS WITHOUT FIRST ESTABLISHING DIPLOMATIC RELATIONS WOULD, IN EFFECT, SLOW THE NEGOTIATIONS. THE BUSINESSMAN SAID THAT IT WAS INDEED POSSIBLE THAT THE SRV HAD FORMULATED A POLICY OF USING AMERICAN BUSINESSMEN TO THIS END.

8. ACTION REQUESTED: IN AN EFFORT TO EVALUATE THE FOREGOING, WE WOULD APPRECIATE ANY INFORMATION THE DEPARTMENT MIGHT HAVE ON THE SIZE, CAPABILITIES, AND BONA FIDES OF THE EISENBERG GROUP.  
ROBERTS  
UNQUOTE VANCE

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## Message Attributes

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